

<b>Guide for Review of Financial Management</b>			
<b>Name of Participating Jurisdiction (PJ):</b>			
<b>Staff Consulted:</b>			
<b>Name(s) of Reviewer(s):</b>		<b>Date:</b>	

**NOTE:** All questions that address requirements contain the citation for the source of the requirement (statute, regulation, NOFA, or grant agreement). Except for questions H.23 and I.42 if the requirement is not met, HUD must make a finding of noncompliance. All other questions (questions that do not contain the citation for the requirement) do not address requirements, but are included to assist the reviewer in understanding its program more fully and/or to identify issues that, if not properly addressed, could result in deficient performance. Negative conclusions to these questions may result in a "concern" being raised, but not a "**finding**."

**Instructions:** This Exhibit is designed to monitor a PJ's conformity to financial management requirements. The Exhibit is divided into nine sections: Financial Management; Cash Management Practices; Internal Controls; Accuracy of Report Information; Program Income; Salaries and Wages; Indirect Costs; Minority-Owned Financial Institutions; and OMB Circular A-133. The Exhibit also contains a Worksheet and an Attachment. The PJ's financial management system is to be reviewed for compliance with 24 CFR Parts 84 or 85 (as applicable). To facilitate the financial review process, Attachment I provides supplementary guidance on the documentation to be examined for certain of the questions below. The attached Worksheet is designed to supplement the review of the PJ's audit management system in the questions under Section I of this Exhibit.

Additional information on OMB Circular A-133 can be found in OMB Circular A-87, and in the applicable provisions of Part 85 that were incorporated into the HOME final rule at 24 CFR 92.505(a). Additional information on OMB Circular A-122 is included in the applicable provisions of Part 85 that were incorporated in the HOME final rule at 24 CFR 92.505(b).

**Questions:**

**A. FINANCIAL MANAGEMENT SYSTEM**

1.

Does the PJ record amounts budgeted for eligible activities as specified in the HOME regulations? [24 CFR 85.20(b)(4) and 24 CFR 92.505(a)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

2.

a. Does the PJ record an encumbrance when contracts are executed, purchase orders issued, etc.? <b>NOTE:</b> If encumbrances are not recorded, the PJ should maintain information on obligations that is readily accessible. [24 CFR 85.20(b)(2) and 24 CFR 92.505(a)]	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>          	

b. Based upon a selected or random sample, are expenditures supported by invoices, contracts, or purchase orders, etc.? [24 CFR 85.20(b)(6) and 24 CFR 92.505(a)]	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>          	

3.

If the accounting system is on a cash basis, can the PJ support accrual data in the Integrated Disbursement and Information System (IDIS) and the Consolidated Performance and Evaluation Report (CAPER) from documentation on hand? [24 CFR 85.20(b)(1) and 24 CFR 92.505(a)]	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
<b>Describe Basis for Conclusion:</b>          	

4.

If the accounting system provides for accrual of expenditures, does the information reported to HUD reconcile with accounting records? [24 CFR 85.20(b)(1) and 24 CFR 92.505(a)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<b>Describe Basis for Conclusion:</b>			

5.

Does the PJ identify expenditures with respect to the grant program? [24 CFR 85.20(b)(2) and 24 CFR 92.505(a)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

6.

Does the PJ identify expenditures by specific grant year? [24 CFR 85.20(b)(2) and 24 CFR 92.505(a)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<b>Describe Basis for Conclusion:</b>			

7.

a. Does the PJ identify expenditures in its accounting records according to eligible activity classifications specified in the regulations that clearly identify the use of program funds for eligible activities? [24 CFR 85.20(b)(2) and 24 CFR 92.505(a)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

b. Did the record review indicate any instances of ineligible expenditures? [24 CFR 92.206 – 209]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

8.

Do accounting records include unexpended/unobligated balances? [24 CFR 85.20(b)(2) and 24 CFR 92.505(a)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

B. CASH MANAGEMENT PRACTICES

9.

Does the PJ have procedures to ensure that any HOME funds drawn down from its U.S. Treasury account are expended for eligible costs within 15 days? [24 CFR 92.502(c)(2)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

10.

a. Have any HOME funds been retained in the local HOME account for a period greater than 15 days? [24 CFR 92.502(c)(2)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

b. If such funds were on deposit in an interest-bearing account, did the PJ remit any interest earned after the 15-day period to the U.S. Treasury promptly (at least quarterly)? [24 CFR 92.502(c)(2)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

C. INTERNAL CONTROLS (See also GAO/AIMD-98-21.2.1, "Framework for Federal Financial Management System Checklist," May 1998)

11.

a. Does the PJ have an organization chart that sets forth the actual lines of responsibility?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

b. Are duties for key employees of the PJ defined?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

c. Has the PJ obtained fidelity bond coverage for responsible officials?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

d. Does the PJ's chart of accounts include a complete listing of the account numbers used to support the control needed to ensure that resources used do not exceed resources authorized?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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**Describe Basis for Conclusion:**

e. Does the PJ's approval controls provide reasonable assurance that appropriate individuals approve recorded transactions in accordance with management's general or specific criteria?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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**Describe Basis for Conclusion:**

f. Does the PJ's controls over the design and use of documents and records provide reasonable assurance that transactions and events are properly documented, recorded, and auditable?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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**Describe Basis for Conclusion:**

g. Does the PJ's segregation of duties controls effectively reduce the opportunity for someone to perpetrate or conceal errors or irregularities in the normal course of duties?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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**Describe Basis for Conclusion:**

h. Is it clear that all personnel are responsible for communicating upward the PJ's operating problems and noncompliance with laws and regulations?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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<b>Describe Basis for Conclusion:</b>
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i. Does the PJ's internal control procedures support its ability to prepare financial statements that are fairly presented in conformity with generally accepted or other relevant and appropriate accounting principles and regulatory requirements? (One level of assurance of the accuracy and integrity of data is provided by the attainment of an unqualified opinion on the audited annual financial statements and internal controls.)	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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<b>Describe Basis for Conclusion:</b>
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D. ACCURACY OF REPORT INFORMATION

12.

a. How does the PJ demonstrate that its systems and/or procedures ensure that accurate information is collected and reported to HUD and that such systems and/or procedures comply with Federal policies and requirements governing reporting?
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<b>Describe Basis for Conclusion:</b>
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b. Does the financial information (e.g., drawdowns, unexpended balances) recorded in HUD's financial management systems [e.g., Line of Credit Control System (LOCCS), IDIS] match the official accounting records of the PJ for the period covered by the last required performance report? [24 CFR 85.20(b)(1) and 24 CFR 92.505(a)]	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>	

c. Does the program income information in the PJ's official accounting records for the period covered by the most recently completed performance report match the information in IDIS? [24 CFR 85.20(b)(1) and 24 CFR 92.505(a)]	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>	

E. PROGRAM INCOME

13.

Are revenue-generating activities being undertaken?	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>	



14.

If revenue-generating activities are being undertaken, has the PJ established revenue accounts to record program income? [24 CFR 85.20(b)(2) and 24 CFR 92.505(a)]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
<b>Describe Basis for Conclusion:</b>			

15.

If income is generated by the use of HOME and other funds, does the PJ have a system to determine the amount of program income attributable to the use of HOME funds?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
<b>Describe Basis for Conclusion:</b>			

16.

Does the PJ disburse program income to pay program costs before making cash withdrawals from the U.S. Treasury? [24 CFR 92.502(c)(2)]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
<b>Describe Basis for Conclusion:</b>			

17.

a. Does the PJ have a system/procedures for tracking program income received by subrecipients, State recipients or contractors administering all or a portion of the PJ's HOME program? [24 CFR 85.20(b)(3) and 24 CFR 92.505(a)]	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <b>Yes    No    N/A</b>
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**Describe Basis for Conclusion:**

b. If program income is retained by subrecipients, State recipients or contractors administering all of a portion of the PJ's HOME program, does the PJ have a system for ensuring that such income is reported in a timely and accurate manner?	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <b>Yes    No    N/A</b>
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**Describe Basis for Conclusion:**

c. Upon expiration of any agreements between the PJ and subrecipients, State recipients or contractors, does the PJ have a system for ensuring: i. the transfer of any funds to be returned to the PJ; and/or ii. the transfer of outstanding loans or accounts receivable? [24 CFR 92.504(c)(2)(vii)]	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <b>Yes    No    N/A</b>
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**Describe Basis for Conclusion:**

18. Loan Servicing

<p>If the PJ provides loans, does it have a system for properly servicing all loans (including deferred payment loans and loans in a revolving fund) that includes:</p> <ul style="list-style-type: none"><li>i. written loan agreements that clearly describe the repayment terms, what constitutes a default and how it can be cured, and what actions the PJ will take if the default is not cured, and (if applicable) what is pledged as security for the loan?</li><li>ii. collection procedures that provide for the recognition of all current amounts due, payments received, notification to borrower when payments are overdue, a process for taking action on defaulted loans, and criteria for writing off bad debts?</li></ul> <p>[24 CFR 85.20(b)(3) and 24 CFR 92.505(a)]</p>	<table border="1"><tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr><tr><td>Yes</td><td>No</td><td>N/A</td></tr></table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Yes	No	N/A					
<p><b>Describe Basis for Conclusion:</b></p>							

F. SALARIES AND WAGES

19.

<p>Are direct salaries and wages of employees chargeable to <u>one</u> grant program or cost objective based on payrolls documented in accordance with the generally accepted practice of the PJ and approved by a responsible official? [OMB Circular A-87, Attachment B, section 8.h. (3) and 24 CFR 92.505(a)]</p>	<table border="1"><tr><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr><tr><td>Yes</td><td>No</td><td>N/A</td></tr></table>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Yes	No	N/A
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Yes	No	N/A					
<p><b>Describe Basis for Conclusion:</b></p>							

20.

For employees working on <u>multiple</u> programs or cost objectives whose time is being charged on a direct basis, are their salaries and wages supported by time distribution records? [OMB Circular A-87, Attachment B, section 8.h. (4) and (5) and 24 CFR 92.505(a)]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
<b>Describe Basis for Conclusion:</b>			

G. INDIRECT COSTS

21.

a. Are indirect costs charged to the program?	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No
<b>Describe Basis for Conclusion:</b>		

b. If indirect costs are charged to the program, have Cost Allocation Plans and/or an Indirect Cost Rate proposal been developed in accordance with OMB Circular A-87, Attachments C and E? [24 CFR 92.505(a)]	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Yes	No	N/A
<b>Describe Basis for Conclusion:</b>			

c. Is there any evidence to indicate that costs are not being billed in accordance with the Indirect Cost Rate? [OMB Circular A-87, Attachment A, Section F and 24 CFR 92.505(a)]	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <b>Yes    No    N/A</b>
<b>Describe Basis for Conclusion:</b>          	

H. MINORITY-OWNED FINANCIAL INSTITUTIONS

22.

Has the PJ used minority-owned financial institutions in conjunction with the grant program? ( <b>Note:</b> Because PJs are <u>not required</u> to use minority-owned financial institutions, but <i>encouraged</i> to do so pursuant to 24 CFR 92.351(b), a “No” response to this question would <b>NOT</b> constitute a finding.)	<input type="checkbox"/> <input type="checkbox"/> <b>Yes    No</b>
<b>Describe Basis for Conclusion:</b>          	

I. OMB CIRCULAR A-133: AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS

**Instructions:** PJs under many Office of Community Planning and Development (CPD) programs are subject to OMB Circular A-133, which establishes audit requirements pursuant to the Single Audit Act Amendments of 1996 for states, local governments, and non-profit organizations that receive federal aid. The Circular defines responsibilities for implementing and monitoring those requirements. PJs that, in turn, provide Federal funds to secondary organizations are called pass-through entities. For simplification purposes, the term “subrecipient” will be used in this guide to refer to all such secondary organizations. Pass-through entities are required by OMB A-133, §\_\_\_\_. 400(d) to establish procedures to oversee subrecipient compliance with A-133. This Exhibit section is designed to evaluate a PJ’s compliance with the required elements of an audits management system. An audits management review worksheet is attached to this Exhibit that can be used to help document the results from testing a sample of grants to subrecipients against the PJ’s control system.

23.

What is the PJ's means of ensuring that audits are conducted to meet all of the following: [OMB Circular A-133, §____.400(d)(4) and 24 CFR 92.506]
a. at the proper time? [OMB Circular A-133, §____.320(a)]
b. by independent, qualified personnel? [OMB Circular A-133, §____.305]
c. In a manner which meets the Comptroller General's audit standards? [OMB Circular A-133, §____.500]
<b>Describe Basis for Conclusion:</b>

24.

Does the most recent audit report indicate that the financial statements contained therein present fairly the PJ's financial position and the results of its financial operations in accordance with generally accepted accounting principles? [OMB Circular A-133, §____.400(d)(4), §____.500(b) and 24 CFR 92.506]	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>	

25.

a. Does the PJ's written agreement with state recipients and subrecipients contain the requirement of following OMB Circular A-133 audit requirements? [24 CFR 92.504 (C)(1) & (2)]
<b>Describe Basis for Conclusion:</b>

b. Does the PJ determine if State recipients and subrecipients expending more than \$500,000 in Federal awards in one fiscal year meet the requirements of Circular A-133? [OMB Circular A-133, § ___.400(d)(4), § ___.200 and 24 CFR 92.506]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

26.

Does the State recipient's or subrecipient's audit report indicate that the financial statements present fairly the State recipient's or subrecipient's financial position and the results of its financial operations in accordance with generally accepted accounting principles? [OMB Circular A-133, § ___.400(d)(4), § ___.500(b) and 24 CFR 92.506]
<b>Describe Basis for Conclusion:</b>

27.

Does the audit provide any indication that the subrecipient or State recipient lacked internal accounting and other control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations? [OMB Circular A-133, § ___.400(d)(3), § ___.400(d) (4), § ___.500(c) and 24 CFR 92.506]
<b>Describe Basis for Conclusion:</b>

28.

Did the PJ review each audit report of its State recipients that expended \$500,000 or more in Federal awards in the fiscal year to determine whether the audit report states the State recipient or subrecipient has complied with the laws and regulations, and provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs?

[OMB Circular A-133, § \_\_\_. 400(d) (4), § \_\_\_. 500(d) and 24 CFR 92.506]

**Describe Basis for Conclusion:**

29.

Did the PJ ensure that audit reports of its State recipients and subrecipients that expended \$500,00 or more in Federal awards in the fiscal year were submitted within thirty (30) days after receipt of the auditors report, but not later than nine months after the end of the audit period?

[OMB Circular A-133, § \_\_\_. 400(d)(4), § \_\_\_. 3205(a) and 24 CFR 92.506]

**Describe Basis for Conclusion:**

30.

Did the PJ determine that the State recipient's or subrecipient's audit costs charged to the HOME program did not exceed the percentage that the HOME funds expended represented of the total funds expended by the State recipient or subrecipient during the fiscal year?

[OMB Circular A-133, § \_\_\_.400(d)(4), § \_\_\_.230 and 24 CFR 92.506]

**Describe Basis for Conclusion:**



31.

Did the PJ issue a management decision on audit findings within six months after receipt of the State recipient or subrecipient's audit report? [OMB Circular A-133, §____.400(d)(5) and 24 CFR 92.506]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>          		

32.

Did the PJ ensure that the State recipient or subrecipient took appropriate and timely corrective action on audit findings? [OMB Circular A-133, §____.400(d)(5) and 24 CFR 92.506]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>          		

33

Did the PJ consider whether the State recipient or subrecipient audit necessitated adjustment of the PJ's own records? [OMB Circular A-133, §____.400(d)(6) and 24 CFR 92.506]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>          		

34.

Did record review disclose any items that should have been adjusted in the PJ's records, but were not? [OMB Circular A-133, § __.400(d)(6) and 24 CFR 92.506]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

35.

Does the PJ's system or procedure require each subrecipient to permit independent auditors and its staff to have access to the records and financial statements, as necessary, to comply with the Circular? [OMB Circular A-133, § __.400(d)(7) and 24 CFR 92.506]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

36.

What is the PJ's process for reviewing and reaching determinations regarding the findings in the State recipient and subrecipient audits?
<b>Describe Basis for Conclusion:</b>

37.

a. Does the PJ have procedure to inform HUD and federal law enforcement authorities of illegal acts or irregularities?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Describe Basis for Conclusion:</b>		

b. If yes, what is procedure(s)/criteria used in determining when to notify authorities?

**Describe Basis for Conclusion:**

38.

Is there a procedure to establish an account receivable from the subrecipient when a monetary sanction is involved?

☐

Yes

☐

No

**Describe Basis for Conclusion:**

39.

Is there a means of ensuring consistent treatment of all audit findings?

☐

Yes

☐

No

**Describe Basis for Conclusion:**

40.

Does the PJ make positive efforts to use small businesses, minority-owned firms, and women's business enterprises in procuring audit services, and does its system encourage localities or subrecipients/subgrantees to do the same? (Note: Because PJs are not required to use minority-owned financial institutions, but *encouraged* to do so pursuant to OMB Circular A-133, §\_\_.305(a), a "No" response to this question would **NOT** constitute a finding.) [24 CFR 92.351(b)]

☐

Yes

☐

No

**Describe Basis for Conclusion:**

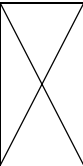
<b>Guide for Review of Financial Management Worksheet: OMB Circular A-133 Audits Management System Review</b>			
<b>Name of Participating Jurisdiction (PJ):</b>			
<b>Staff Consulted:</b>			
<b>Name(s) of Reviewer(s):</b>		<b>Date:</b>	

**Instructions:** This Exhibit Worksheet is intended to supplement the information contained in Section I. OMB Circular A-133: Audits of States, Local Governments, and Non-Profit Organizations. The Worksheet contains three parts: Audit Receipt Deadlines; Were Requirements Met?; and Conclusions. Where State recipients and subrecipient audits are reviewed to confirm the implementation of the PJ's system, select a sample of grants and insert the names of the subrecipients in column (a) and the fiscal year end dates in column (b) of Part I. Insert due dates and receipt deadlines in columns (c) through (e) of Part I; and answer "yes" or "no," as appropriate, in columns (f) through (j) of Part II.

**PART I. AUDIT RECEIPT DEADLINES**

X	<b>Recipients and Subrecipient Name</b>	<b>Fiscal Year End Date</b>	<b>Audit Report Date</b>	<b>Audit Due Date</b>	<b>Audit Received Date</b>
	(a)	(b)	(c)	(d)	(e)
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

PART II. WERE REQUIREMENTS MET (Yes/No)?

	<b>A-133 Met?</b>	<b>Corrective Actions Accepted?</b>	<b>Corrective Actions Documented?</b>	<b>Corrective Actions Taken?</b>	<b>Corrective Actions Taken in 6 months?</b>
	(f)	(g)	(h)	(i)	(j)
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

PART III. CONCLUSIONS

Explain negative responses or delays in complying with the required deadlines:
<b>Describe Basis for Conclusion:</b>